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European Commission Approves Further State Aid to Support Transition-Related Initiatives

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On February 24, the European Commission **granted approval** under EU State Aid Rules for a German scheme supporting rail transport operators using electric traction. The €1.1 billion scheme will provide economic support for increased electricity costs and aims to preserve the viability of electric rail in line with the Commission's **Sustainable and Smart Mobility Strategy** and of the **European Green New Deal**. Freight and passenger rail transport operators using electric traction have been exposed to significant increases in electricity prices following Russia's invasion of Ukraine. Under the proposed scheme, electricity suppliers will provide reductions in the monthly electricity bills of rail transport operators, which the providers will then reimburse from the German state. This will only apply to electricity consumed in calendar year 2023.

Margrethe Vestager, the Commission's Executive Vice-President in charge of competition policy, recognized that "[the] scheme will enable Germany to support electric traction, which is a more environmental-friendly mode of rail transport compared to diesel-fuelled vehicles. It will help Germany meet its European Green Deal objectives, while reducing the burden of rising electricity costs for transport operators, to the benefit of passengers and freight customers."

On February 28, in **another development** demonstrating ongoing EU economic support for the electric transportation sector, the Commission approved €89.6 million in EU state aid to support the expansion of a Samsung battery cell production facility in Hungary. In December 2017, Samsung SDI announced plans to invest €1.2 billion into expanding its existing battery cell production facility for electric vehicles in Göd, Hungary. Hungary notified the Commission in 2018 of its plan to grant €108 million of public support for the project to incentivize Samsung to continue with the planned investment. After an in-depth investigation, the Commission ruled that the state aid was in line with EU State Aid Rules, but only to the extent that the aid does not exceed €89.6 million, which was ruled as the “minimum necessary to incentivise Samsung SDI to carry out the investment in Hungary.”

Taking the Temperature: The Commission revised its Guidelines on Regional State Aid in April 2021 to reflect new policy priorities related to the European Green Deal, specifically that the assessment of balancing the positive impact of the aid against its negative effect on competition and trade may now also take account of other positive and negative effects, such as a “substantial contribution to the green and digital transition or some related negative externalities.” With global increases in energy prices, the German electric rail scheme is a clear example of the ways in which EU Member States are providing unprecedented economic support to a range of industries to offset the economic effects of the war in Ukraine.

In line with the policy priorities set out in the European Green New Deal, European Member States are starting to draw on economic support from EU institutions (in the form of state aid) to provide economic support to businesses aiming to tackle the impacts of climate change or other green transition-linked policy priorities. We recently commented on the Commission’s approval of state aid from Spain and Germany to build Hydrogen-powered steel plants last month. While the Commission seems committed to increasing support for the applications of state aid related to tackling impacts of climate change, it is important to note that the initial decision to provide aid remains with the individual European Member State governments.